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|  | <p align="center"><b>Department of Administration</b></p> <p align="center"><b>State of Montana</b></p> <p align="center"><b>Issued by: The Risk Management<br/>&amp;<br/>Tort Defense Division</b></p> <p><b>Subject: Boiler &amp; Machinery Insurance</b> The state's excess Boiler &amp; Machinery insurance coverage and program requirements.</p> | <p><b>Number:</b> RMTDINS0704</p>                                                                                                                  |
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## I. DESCRIPTION

In accordance with §2-9-201, MCA, the Risk Management & Tort Defense Division administers a comprehensive insurance program in behalf of Montana state government. This document is not an insurance policy, however, it provides a broad overview of insurance coverage provided under the state's boiler & machinery insurance policy as well as specific program requirements for state agencies that participate in the state's boiler & machinery insurance program. Do not attempt to interpret coverage, limits, or exclusions and apply these to state activities without contacting the Risk Management & Tort Defense Division. Specific exclusions, limits, or coverage may apply.

## II. DEFINITIONS

***Division*** means the Risk Management & Tort Defense Division.

***Employee*** means any person while in the service of the state (and for 30 days after termination of service), whom the state compensates directly by salary, wages, or commissions and whom the state has the right to direct and control while performing services for the state; and any person who is furnished to the state to substitute for a permanent employee on leave, or meet seasonal or short-term workload conditions, while that person is subject to the state's direction and control and performing services for the state excluding, however, any such person while having care and custody of property outside the premises.

Employee does not mean any agent, broker, person leased to the state by a labor leasing firm, factor, commission merchant, consignee, independent contractor or representative of the same general character; or director or trustee except while performing acts coming within the scope of the usual duties of an employee.

***State*** means the State of Montana or any office, department, agency, authority, commission, board, institution, hospital, college, university, or other instrumentality thereof.

## III. INSURING AGREEMENT

Subject to the terms, conditions, and exclusions specified in statute (§2-9-101, MCA through §2-9-305, MCA) and in the state's boiler & machinery policy, sudden and accidental breakdown of an object or part of an object that causes physical damage is covered.

## IV. EXTENSIONS OF COVERAGE

The state's policy is extended to cover sudden and accidental breakdown of an insured object or part of the object, with physical damage that required repair or replacement of the object or part of the object.

An accident does not include:

- A. Depletion, deterioration, corrosion.
- B. Wear and tear.
- C. Leakage at any valve, fitting, shaft, joint, or connection.
- D. Functioning of a safety or protective device.

The insurance covers the amount the state spends to repair or replace the property directly damaged by an accident. The limit is the smallest of 1) the limit of insurance; or 2) cost to repair the damaged property and the time of the accident with like kind, capacity, size, and quality.

#### **Insured Objects:**

- A. A boiler, fired vessel, unfired vessel normally subject to vacuum or internal pressure other than weight of its contents, refrigerating and air conditioning vessels, and any metal piping and its accessory equipment, except sewer piping, gas piping, sprinkler piping, or water piping.
- B. Mechanical or electrical machine or apparatus used for the generation, transmissions or utilization of mechanical or electrical power except any structure or foundation other than the bedplate of a machine, refractory material, penstock or drafttube, any vehicle, elevator, crane, hoist, power shovel, or drag line.

## **V. EXCLUSIONS**

Policy exclusions include, but are not limited to:

- A. **Nuclear Hazard** – Loss from nuclear reaction or radiation, or radioactive contamination.
- B. **War and Military Action** – War, including undeclared or civil war; warlike action by a military force, insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.

## **VI. PROGRAM REQUIREMENTS**

- A. State agencies must list the boilers & machinery that they want insured by classification of boiler in the state Property/Casualty Insurance Information

System and submit the list to the division by April 15<sup>th</sup> of each fiscal year. Failure to accurately report boilers & machinery may result in inadequate coverage.

- B. The Risk Management & Tort Defense Division and participating carriers shall be subrogated to the state's recovery against third parties. The state shall do nothing to prejudice such rights.
- C. The state's policy may be cancelled with notice. Should this occur, the Risk Management & Tort Defense Division would secure coverage from other carriers.

## **VII. SPECIAL SERVICES**

- A. State agencies that need coverage for boilers & machinery not mentioned are encouraged to contact the Risk Management & Tort Defense Division. The division or its brokers may be able to form a plan of self-insurance to assist your agency. Any plan must be consistent with §2-9-201, MCA. The division may have to obtain legislative approval for the plan. The division may be able to obtain commercial insurance to meet your needs.
- B. The Risk Management & Tort Defense Division may be able to help you develop a risk control plan that will remove or reduce your need for coverage.
- C. Boiler inspections will be conducted by the Department of Labor & Industry or under contract with parties or firms selected by the Risk Management & Tort Defense Division.

## **VIII. REPORTING LOSSES**

The ***State Report of Incident Form*** should be used. State agencies must notify the Risk Management & Tort Defense Division of a claim or potential claim as soon as possible, preferably within 5 business days. Claims that involve fatalities or other serious injuries must be reported within 24 hours.

Sample forms may be found on the division's website under 'Claims.' You may photocopy them (front and back) as needed.

## **IX. LIMITS**

\$100,000,000 Combined Property Damage, Breakdown, Business Interruption  
Extra Expense  
\$25,000,000 Newly Acquired Locations.

|              |                                           |
|--------------|-------------------------------------------|
| \$10,000,000 | Utility Interruption                      |
| \$10,000,000 | Consequential Damage / Spoilage           |
| \$10,000,000 | Ammonia Contamination                     |
| \$10,000,000 | Water Damage                              |
| \$10,000,000 | Demolition/Increased Cost of Construction |
| \$ 2,000,000 | Electronic Data Processing Media          |
| \$ 2,000,000 | Perishable Goods                          |
| \$ 1,000,000 | Ordinance or Law.                         |

## **X. DEDUCTIBLES**

Varies by object or vessel.

## **XI. PREMIUMS**

Premiums must be promptly remitted by state agencies after receiving billing notices from the Risk Management & Tort Defense Division.

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